

DEPARTMENT OF LABOR**Employment and Training
Administration****20 CFR Ch. V**

**Unemployment Insurance Service
Proposed Quality Control Program;
Under Secretary's Order No. 4-75,
Dated April 16, 1975 (40 FR 18515) (5
U.S.C. 553) Interpreting and Applying
Sections. 303 (a)(1) and (a)(6) and
303(b)(2) of the Social Security Act (42
U.S.C. 503 (a)(1), (a)(6), and 503(b)(2)**

AGENCY: Employment and Training
Administration, Labor.

ACTION: Advance notice of proposed
rulemaking.

SUMMARY: The Employment and
Training Administration (ETA) will
publish a Notice of Proposed
Rulemaking in December 1984 or
January 1985 to establish a permanent
Quality Control (QC) program in the
State Employment Security Agency
(SESA) Unemployment Insurance (UI)
system. The design of a QC system has
been mandated by the Secretary of
Labor and the President's Fiscal Year
1985 Budget includes provision for a UI
QC program. The establishment of a UI
QC program is a major initiative to
reduce administrative errors in the UI
system. ETA is publishing this notice to
inform interested persons of its
intentions.

DATE: Written comments must be
received by the close of business on
October 26, 1984.

ADDRESS: Submit comments to Carolyn
M. Golding, Q.C. Task Force Director,
U.S. Department of Labor, Room 7112,
Patrick Henry Building, 601 D Street
NW., Washington, D.C. 20213.

FOR FURTHER INFORMATION CONTACT:
Carolyn M. Golding, Q.C. Task Force
Director, Employment and Training
Administration, U.S. Department of

Labor, 601 D Street NW., Room 7112,
Washington, D.C. 20213. Telephone: 202-
376-6636.

SUPPLEMENTARY INFORMATION:*Introduction:*

The Federal/State unemployment
insurance program has two major
functions—the collection of employer
payroll taxes and the payment of UI
benefits to eligible workers. State
employment security agencies collect
employer taxes and determine
individual eligibility for benefits in
accordance with State employment
insurance laws. Provisions in the Social
Security Act and the Federal
Unemployment Tax Act set
requirements for State laws.

Statement of Problem

Random Audit results from 15 States
show that nationwide a significant
percentage of benefit payments for
calendar year 1982 were in error. Under
the Random Audit Program, States
select a small sample of intrastate
claims paid each week and determine
the accuracy of the payment. Only
partial data is available as to the
magnitude of the revenue problem.
These data indicate sizable lost revenue
resulting from delinquent employer
contributions, delayed identification of
new employers, and untimely deposit of
employer taxes. These losses are
occurring at the same time that the UI
system is heavily in debt. As of August
31, 1984 outstanding loans totaled \$9.7
billion.

UI Objective for QC

The objective is to design and
implement a system of data formatting
and analysis precise and detailed
enough to support the development and
execution of corrective action plans to
reduce the number and amount of
inaccurate benefit payments
(underpayments and overpayments),
and corrective action plans to improve

revenue collections in States. Key to the
attainment of this objective is the
collection and analysis of data that is
timely and detailed. The QC principles
address known limitations of Random
Audit and reflect considerations as to
appropriate Federal/State roles as well
as resource, timing and capacity
constraints.

QC Foundations: Within the
framework of QC objectives and
principles, the foundation for the
detailed QC design and implementation
activity planned for the next several
years will have the following major
characteristics:

- States will have primary
responsibility for drawing samples,
calculating error rates and initiating
corrective action.
- There will be a strong Federal
oversight role to ensure consistency of
procedures and integrity of data.
- Sample sizes will be increased
incrementally, where necessary, to
increase the precision and confidence
of the data. Alternative data
collection and sampling methods will
be tested to reduce costs and improve
precision.
- Within resource and benefit/cost
considerations, QC will target its
resources on the permanently
authorized programs of greatest size,
on programs which are the Secretary's
special responsibility and programs
funded from Federal resources.
- Pilot tests will be conducted for the
revenue and interstate programs, not
currently measured by Random Audit.
- QC will be phased-in incrementally
over 3 years consistent with resource,
timing and capacity constraints.

Signed this 20th day of September 1984.

Patrick J. O'Keefe.

Deputy Assistant Secretary of Labor.

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